

# **APPLICATION INSTRUCTIONS**

## **NORTH DAKOTA DEPARTMENT OF TRANSPORTATION RAIL LOAN FUNDS**

### **SECTION 1.0 – INTRODUCTION**

The North Dakota Department of Transportation (NDDOT) has administration and oversight responsibility for the North Dakota Freight Rail Improvement Program (FRIP) and Local Rail Freight Assistance (LRFA) loan funds.

This document describes the rail loan fund application process. It also describes the methods used by NDDOT to evaluate rail loan projects. There is in addition a description of several obligations incurred by applicants when assistance is accepted.

Potential applicants should review this document before submitting project proposals.

### **SECTION 2.0 – ELIGIBLE APPLICANTS**

Eligible applicants include cities, counties, railroads, or other current or potential users of freight railroad service.

### **SECTION 3.0 – ELIGIBLE PROJECTS**

The NDDOT rail loan funds have limited resources. They are intended to be used primarily to upgrade and enhance infrastructure to improve rail service in ND through aid to short line railroads and, in some cases, shippers or other rail stakeholders.

Generally, an eligible project is one in which the rail line related to the project has carried less than 5 million gross ton miles of freight per mile in the year previous to the year of application and which accomplishes any of the following: rehabilitates a segment of rail line, results in economic development, improves transportation efficiency, promotes safety, promotes the viability of the statewide system of freight rail service, assists intermodal freight movement, or provides industry access to the national railroad system. The Director may waive the 5 million gross ton miles requirement if it is determined that a significant public interest in the project exists.

### **SECTION 4.0 – APPLICATION PROCESS**

#### **4.1 SUBMISSION**

Project requests must be received by NDDOT as follows:

- **Annual Submission – December 1:** Annual submission is for rail projects that are planned and developed in the normal course of business. They include infrastructure projects, such as rail relay or tie and ballast, and economic development type projects, such as loading spurs.
- **Reserve Consideration – June 1:** Reserve consideration is for projects that support economic competitiveness and that have been identified subsequent to the annual submission date. Reserve consideration is for projects that are unforeseen in the normal course of business. It is not an alternative date for annual submission projects.

- Economic Competitiveness projects identified after June 1, but before December 1, will be included at the next annual submission.

Project proposals must be submitted in writing to NDDOT, in either hard copy or electronic format. Address hard copy to:

NDDOT  
ATTN: Interim Rail Planner  
608 East Boulevard Avenue  
Bismarck, ND 58505-0700

Send electronic submissions to: [istyron@nd.gov](mailto:istyron@nd.gov).

Proposals must provide the information requested in 4.1.1 through 4.1.6 and 4.2.1 of this document.

4.1.1 Identification of Parties and Projects

- (a) Applicant name, address, phone number, and point of contact (POC). Provide name, phone number, and email address for POC.
- (b) Name, address, phone number, and POC for the railroad party to the project. Provide name, phone number, and email address for POC.
- (c) Name, address, phone number, and POC of any shipper party to the project. Provide name, phone number, and email address for POC.
- (d) A narrative addressing the purpose, need and public benefits of the project. This might include, as applicable: capacity, safety and security, system linkage, system deficiencies, modal interrelationships, social demands, or economic development. This section should also describe and justify any negative impacts thought to be associated with the project.
- (e) A description of the proposed project, including:
  - (1) Physical measurements (Linear, area, etc.).
  - (2) Physical location (Address, mileposts, street crossings, etc.).
  - (3) Major material specifications (Rail weight, ballast type, tie grade and type, etc.).
  - (4) Map/sketch of project design and location.
  - (5) Such other information as deemed useful by the Applicant to support and define the project concept and purpose.
  - (6) Number of shippers served and/or affected, and commodities handled.
- (f) A narrative stating the alternative(s) to be pursued should assistance not be awarded and the applicable consequences thereof (postpone or

abandon project, reduce service by x amount, forgo x amount of revenue or cost savings, etc.). Data must be objective and quantified (numbers, dates, quantities, dollar amounts, etc.).

4.1.2 Estimated Project Cost and Work Method

(a) A line item breakout of estimated direct project costs at least to the level of:

- (1) Materials
- (2) Equipment
- (3) Labor
- (4) Force account work
- (5) Contract work
- (6) Total project cost

(b) A description of the method or methods proposed for accomplishing major project tasks. (e.g., tie replacement by force account, surfacing by contractor, etc).

4.1.3 Proposed Project Financing

(a) State the dollar amount of assistance requested.

(b) Identify the source of all anticipated non-state assistance.

4.1.4 Intended Benefit and Cost Items

Provide a list or description of the type or category of benefits and costs assumed by applicant to be associated with this project.

4.1.5 Intended Environmental and Economic Enhancement Items

Provide a list or description of any environmental or economic enhancement outcomes projected by the Applicant to result from the project.

4.1.6 Public Involvement Process

NDDOT shall solicit public input for each project that is accepted. NDDOT will place a legal notice in the official newspaper(s) of record for the county or counties in which the proposed project is to be done, giving notice of opportunity to request a public hearing and/or submit comments on a proposed amendment to the State Rail Plan. The legal notice will state the reason for the proposed amendment (i.e., rail rehabilitation or other project), a point of contact for response, and the deadline for response.

If a public hearing is held, all comments will be recorded verbatim and included in the application.

## **4.2 APPLICATION REVIEW/CONFERENCE**

NDDOT staff will review all project applications. If the reviews indicate the need for more information, conferences with Applicants and any other significant entities may be needed. Conferences, if needed, are usually done by phone.

### **4.2.1 Data for Benefit-Cost Analysis**

- (a) The single most influential criterion in determining project qualification and rank is the Benefit-Cost Ratio (BCR). NDDOT may employ the services of others in analyzing and calculating the BCR.
- (b) The following list is representative of the type of data required for benefit/cost analysis:
  - (1) What is the expected change (if any), expressed in dollars, in these areas from accomplishing the project.
    - Maintenance of Way (MOW) costs
    - Locomotive costs
    - Fuel costs
    - Freight rate/unit
    - Number of carloads
    - Lading handling costs
    - Car hire and/or car investment costs
    - Maintenance of Equipment (MOE) costs
    - Train crew costs
    - Product/lading shrinkage
    - Derailment Costs
  - (2) Other statistical information pertinent to the analysis.
    - Project impact on market penetration (intermodal, customer territory, service frequency).
    - Average car capacity in same units used in freight rates above
    - Net liquidation value of in-place track assets.

## **4.3 PROJECT QUALIFICATION AND RANKING**

- 4.3.1 The data required for project qualification and ranking shall be submitted to NDDOT by the Applicant.
- 4.3.2 All project proposals will be reviewed for qualification. Qualified proposals will be scored and ranked for funding priority. (See Section 8 for qualification and ranking criteria and scoring procedures.) Applicants will be informed of their project proposal's ranking.

## **4.4 EMERGENCY ASSISTANCE**

The department may, at its sole discretion and upon application by an eligible applicant, provide assistance from the rail loan funds on a non-competitive basis at any time for a project addressing a (Government) declared emergency situation. The project must meet eligibility requirements. An emergency project shall deal with failure of significant

infrastructure essential to operation of rail freight service, such as bridge failure, major washout, destruction by fire, and the like. Insurance proceeds must first be dedicated to the project.

## **SECTION 5.0 – ASSISTANCE AWARD PROCESS**

### **5.1 APPLICANT ACCEPTANCE OF AWARD**

The Applicant shall accept or reject any offer of assistance within 10 working days of the date of offer.

### **5.2 AGREEMENT EXECUTION**

A loan agreement between NDDOT and the Applicant must be executed within 90 calendar days of the Applicant's acceptance of an offer of loan assistance. Unless NDDOT otherwise agrees, the offer of loan assistance expires and is withdrawn if this condition is not met.

## **SECTION 6.0 – ASSISTANCE FORM AND AMOUNT**

### **6.1 POLICIES AFFECTING ASSISTANCE FORM AND AMOUNT**

- 6.1.1 The measure of public interest, for program purposes, is determined by the project's qualification and ranking according to the criteria set forth under Part II, Section 1.0 herein.
- 6.1.2 Loan assistance is provided at an interest rate calculated at 1/2 of a prime rate at the Bank of North Dakota, but not less than 3%.
- 6.1.3 Loan amounts for rehabilitation construction will be 70% of estimated project cost, with the Applicant's share being 30% of estimated project cost. The Applicant's share must come from non-state funds. New construction will be financed on a 50% - 50% basis.
- 6.1.4 The loan term is 10 years, with payment deferred the first two years. Interest accrues during the deferred period. The loan is repaid in eight annual installments, beginning the third year of the loan. The interest accrued during the deferred period is due with the first loan payment.

## **SECTION 7.0 – KEY ASSISTANCE AGREEMENT TERMS**

### **7.1 LIST**

- 7.1.1 The Applicant must agree to maintain the project line at or above FRA Class 2 Track Safety Standard until the loan is fully repaid. Termination of service will make the full loan amount, plus an amount equal to the interest rate stated in the agreement applied to the full loan amount from the effective date of the agreement to date of termination, immediately due and payable.
- 7.1.3 Interest charges begin upon first draw of loan funds and are calculated on a fixed regular schedule.

- 7.1.4 Rehabilitation and construction material and performance specifications shall conform to American Railway Engineering and Maintenance of Way Association (AREMA) standards and practices.
- 7.1.5 Project costs **may not be incurred** on any project before an agreement is fully executed between NDDOT and the Applicant.
- 7.1.6 If work on the project has not begun within one year of the date the loan agreement was fully executed, the agreement becomes void and the offer of assistance is withdrawn, unless NDDOT agrees to extend the term. If the agreement becomes void, the Applicant may re-apply for assistance. The application will be considered a new submission, and will be evaluated as such.
- 7.1.7 Competitive bidding must be used for contract work on loan projects.
- 7.1.8 The progress billing method will be permitted with 10% retainage by NDDOT. Final billing must include a statement of total actual costs and may be subject to a detailed audit. Final billing must be submitted to NDDOT within three months after project completion.
- 7.1.9 The applicant shall, upon any sale or disposition of all or any portion of the subject line, or the filing of an application for abandonment of all or any portion of the subject line at any time during the term of agreement, repay to NDDOT the full amount of the NDDOT share of the cost of improvements made to the subject line.

## **SECTION 8.0 – PROJECT SELECTION**

### **8.1 PROJECT SELECTION POLICIES**

- 8.1.1 Purpose of Qualification and Ranking: Proposed projects must generate improvements in transportation efficiency and may also generate broad public benefit.
- 8.1.2 Method of Qualification and Ranking: Six criteria are used to evaluate and rank proposed projects. The rating system generates a point value for each criterion. The criteria are:
- Benefit-Cost Ratio (BCR)
  - Impact on the ND Rail System
  - Rail System Connectivity
  - Economic Impact
  - Safety and Security
  - Community and Environmental Impact

A project must have a primary BCR of at least 1.0 to qualify for further evaluation. Qualified projects are ranked according to total point score. The rankings are used in determining which applicants receive offers of assistance. Offers are made, at the Directors discretion, to applicants in

rank order until program resources are no longer until available resources have been allocated.

- 8.1.3 Relation of Rank to Funding: Project rank is a factor in determining whether a project is funded and what priority the project has. The ranking process has no influence on the type of assistance offered. All assistance is will be in the form of a low interest loan.

It is possible for a project to be funded outside of rank order. If a lower ranked project may be funded within available resource limits while a higher ranked project would exceed those limits, the lower ranked project may be funded if the applicant of the higher ranked project is unable or unwilling to proceed with the project funded with only the remaining available resources.

If two or more qualified projects end up with the same total score, the BCR will determine the final ranking.

- 8.1.4 Directors Authority: On a case by case basis the Director will have the authority to modify funding limits and/or repayment criteria.

## **8.2 PROJECT SELECTION CRITERIA**

### **8.2.1 Benefit-Cost Ratio:**

- (a) Purpose: The purpose of the BCR criterion is to afford a measure of the economic soundness of an investment of public funds in the project.
- (b) Description: The total BCR consists of three levels: (1) primary efficiency benefits, (2) transportation efficiency benefits, including highway impacts, and (3) total economic benefits. A project must have a primary BCR of 1.0 or greater to qualify for further evaluation. The total BCR is used in comparing projects that qualify for further evaluation.
- (c) Scoring: The numeric score for the BCR criterion is the total BCR. To remain consistent with a multi criteria scoring system, the BCR cannot increase without bound. It is therefore capped at 25. Since a BCR above 25 is a rare occurrence, the cap's effect on project score should be minimal.

***MAXIMUM OF 25 POINTS***

### **8.2.2 Carloads per Mile:**

- (a) Purpose: The purpose of this criterion is to represent the scale of the total project benefits. Traffic density is a proxy for the strategic significance of a line, the likelihood of long-run survival of the line, and the continuation of benefits beyond the analysis period.

- (b) Description: The number of carloads per mile is an average of carloads from a period of three consecutive years. All carloads are counted, including bridge and overhead traffic. Any bridge or overhead carloads included in the total shall also be shown separately. Multi-platform articulated cars are to be treated as single or multiple cars according to how they are treated in the tariff or contract under which they move. Carloads from the past three years and projections for the next two years may be used for the average, but it must be three consecutive years. Absent valid projections, traffic for the past three years must be used.
- (c) Scoring: Points are awarded on the basis of carloads per mile as shown in the table below. The points awarded increase as the traffic increases. Points are awarded in this manner to reflect the lesser impact on the economy of very light density lines.

<b><i>Carloads/Mile 3 Yr. Average</i></b>	<b><i>Points</i></b>
<b>&lt; 12</b>	<b>0</b>
<b>12 - 20</b>	<b>1</b>
<b>21 - 35</b>	<b>2</b>
<b>36 - 80</b>	<b>3</b>
<b>81 - 120</b>	<b>4</b>
<b>&gt; 120</b>	<b>5</b>

***MAXIMUM OF 5 POINTS***

### **8.2.3 System Connectivity:**

- (a) Purpose: The purpose of this criterion is to afford a means to reflect the value a project may present in serving a distinct system function even though traffic origin or destination functions may be minimal or absent.
- (b) Description: System connectivity is present when the project specifically provides for the only direct connection of two distinct through route line segments of the applicant's system, or the system's sole interchange connection with another railroad.
- (c) Scoring: System connectivity points are awarded as shown on the next page.



<b>Description</b>	<b>Score or Range</b>
High Connectivity	3
Moderate Connectivity	2
Low Connectivity	1
Nonexistent	0

**MAXIMUM OF 3 POINTS**

<b>Score</b>	<b>Example of Qualifying Project</b>
<b>3</b>	Line improvement that rehabilitates a segment that connects two high volume branch lines and prevents circuitous routing
<b>2</b>	Line improvement to ensure that a segment of track remains continuous
<b>1</b>	Low usage gateway between branch lines
<b>0</b>	Stub Line or Siding

**8.2.4 Enhancing North Dakota's Economy:**

- (a) Purpose: The purpose of this criterion is to afford a means to consider aspects of the project that offer economic benefits that may not be captured under either the traditional benefit-cost analysis or a REMI analysis. A qualifying scenario includes an exogenous economic impact, that is, an impact not measureable in the context of the usual benefit-cost analysis.
- (b) Description: Points are awarded under this criterion on the basis of the department's finding that the project:
- (1) Will address an unusual North Dakota job gain or loss situation.
  - (2) Contains an element of urgency/timeliness significant to its ability to deliver long-term benefits.
  - (3) Improves viability of businesses served by the operator.
  - (4) Improves the attractiveness of North Dakota for new business.
  - (5) Serves a developed industrial park (streets, sewer, and water in place).
- (a) Scoring: Enhancing North Dakota's economy points are awarded as follows:

<b>Description</b>	<b>Score or Range</b>
High Exogenous Impact	3
Moderate Exogenous Impact	2
Low Exogenous Impact	1
Nonexistent	0

**MAXIMUM OF 3 POINTS**

<b>Score</b>	<b>Example of Qualifying Project</b>
<b>3</b>	Project that provides rail access to an industrial park, which raises attractiveness for firms to locate there
<b>2</b>	Project that provides rail access to an industrial park, which may induce existing firms to expand
<b>1</b>	Project that maintains infrastructure which may lead to firm retention
<b>0</b>	Project that does not have exogenous potential economic impact

### 8.2.5

#### **Safety and Security:**

- (a) Purpose: The purpose of this criterion is to provide a means to consider aspects of the project that offer unique benefits to railroad safety or enhance the state's security. A qualifying scenario would include a safety or security impact that is not quantifiable, and therefore not included in the benefit-cost analysis.
- (b) Description: Points are awarded under this criterion on the basis of the department's finding the project will result in:
- (1) Reduction in potential derailments.
  - (2) Reduction of hazards to railroad personnel and contractors.
  - (3) A shift of shipments of hazardous materials from the highway system to the railroad network that would reduce accident exposure.
  - (4) Grade crossing safety enhancements.
  - (5) Increasing the security of yards, containers, tank cars, and other equipment and facilities.
  - (6) Security enhancements to border crossings, inspection locations, bridges and potential choke points.
- (b) Scoring: Safety and Security points are awarded as follows:

<b>Description</b>	<b>Score or Range</b>
High Safety and Security Impact	3
Moderate Safety and Security Impact	2
Low Safety and Security Impact	1
Nonexistent	0

**MAXIMUM OF 3 POINTS**

<b>Score</b>	<b>Example of Qualifying Project</b>
<b>3</b>	Project that reduces hazmat transportation risks by shifting traffic from high-risk highway routes, reduces the risks of hazmat accidents at grade crossings, or reduces the risks of train derailments involving hazmat cargo
<b>2</b>	Project that generally reduces highway accident risks by shifting freight traffic from highway routes to rail lines, or, that reduces the risk of train derailments
<b>1</b>	Project that improves the safety and security of railroad lines or yards by eliminating hazards to railroad workers or the public, including reductions in trespassing
<b>0</b>	Project that does not positively impact safety or security

#### **8.2.6 Environmental and Community Effects:**

- (a) Purpose: The purpose of this criterion is to consider aspects of the project that offer unique benefits related to environmental and community impacts. A qualifying scenario would include an environmental or community impact that is not quantifiable, and therefore not included in the benefit-cost analysis.
- (b) Description: Points are awarded under this criterion on the basis of the department's finding the project:
  - (1) Will reduce negative community impacts of rail transportation such as noise, traffic interference, or blocked crossings.
  - (2) Will reduce environmental impacts aside from efficiency gains due to modal shift.
- (c) Scoring: Environmental and Community Effects points are awarded as follows:

<b>Description</b>	<b>Score or Range</b>
High Benefit Level	3
Moderate Benefit Level	2
Low Benefit Level	1
Nonexistent	0

#### ***MAXIMUM OF 3 POINTS***

<b>Score</b>	<b>Example of Qualifying Project</b>
<b>3</b>	Rail relocation project which eliminates noise, traffic interference or the need for a quiet zone
<b>2</b>	Rail line construction that provides rail access to an industrial park, thereby shifting traffic to rail
<b>1</b>	Rail rehabilitation through wetlands which corrects prior environmental impacts
<b>0</b>	Rail project which does not generate environmental or community benefits

### 8.2.7 Scoring and Weighting Method:

- (a) Purpose: The purpose of weighting the criteria is to appropriately assess the importance of each criterion to determine the total overall impact of the project.
- (c) Description: The weights assigned were determined by a committee of stakeholders in North Dakota's rail industry. Each criterion is assigned with a weight which reflects the importance of the criterion to the committee.
- (d) Weighting: The scoring and weighting method is implemented as follows:

Criterion	Minimum Score	Maximum Score	Weight	Total
Total B/C ratio	0	25	1.12	28
Carloads per mile	0	5	3.6	18
System connectivity	0	3	6	18
Economic development	0	3	4.6	14
Safety/Security	0	3	4	12
Environmental/Community	0	3	3.3	10
<b>Weighted</b>				100